Summary of Changes to the Multifamily Direct lending Parameters:

The following summarizes the update to MSHDA's Multifamily Direct Lending Parameters. Most of the information changed or added since the last update in 2016 was done to clarify and/or incorporate changes that we have implemented in practice and as a result of the Lean Process Improvement undertaken by Rental Development since that time.

1. The index on pages i-v were changed where appropriate based on some of the changes to the body of the document mentioned below.

2. The Introduction was modified to include a bullet on developments in MSHDA identified strategic areas as an additional objective that assists applicants in appropriately targeting certain markets based on statewide data compiled by MSHDA's Chief Market Analyst. (Pg.1)

3. The reference to small scale rental developments was removed from the Eligible Developments section because there is no separate funding source for smaller proposals; all proposals access Authority loans through either the Gap Funding NOFA or as a Non Competitive Application. (Pg. 3)

4. Under the section on Funding Sources, item c., bond loans are no longer limited to 110% of the applicable HUD 221(d)(3) limits, because they are no longer published by HUD. Therefore, that sentence was removed. In addition, all bond loans are limited to 90% of the total development cost. Therefore, the 70% limit for Taxable Bond loans was removed. (Pg. 4)

5. Beginning on page 4, any and all references to a Part "A" and Part "B" loan has been removed throughout the document. MSHDA came to the conclusion that the Part A and B Loan practice for the Section 8 portfolio was not necessary. It is no longer necessary for the Section 236 program because the Interest Reduction Payment associated with this structure no longer exists under this old program. (Pgs. 4-5)

6. Beginning on page 4, any and all references to the Section 236 Program have been eliminated throughout the document. The footnote at the bottom of the page is removed for the same reason. (Pg. 4)

7. The section on Gap Funding Loans, item e. has been modified to show HOME loans will be made at an interest rate of 1% simple interest in order to make these funds more attractive to borrowers. (Pg. 8)

8. Under the section on Gap Funding Loans, item f. repayment has been modified to clarify when repayment of soft loans commences. The change counts all surplus funds to be

counted against paying the deferred fee whether or not the sponsor uses it to pay it down or not. In that way, repayment of the Authority's gap funding may begin sooner, as was the original intent. A footnote has also been added to help clarify this position. (Pg. 8)

9. Section III Application Submission, has been modified to reflect the new application process. Applications have been replaced with Notice of Intent to Apply under Item A. (Pg. 12)

10. The Open Funding Round has been changed to Non Competitive Transactions to more accurately distinguish between those applications that do not need gap funding from those that do, as well as not to imply that there is an actual "Open Funding Round" for the Tax Exempt Bond Program. (Pg. 13)

11. The PSH Set-Aside Proposals section, now notes that HOME may not always be available. (Pg. 13)

12. The Pass-Through Proposals section eliminates the reference to the QAP and now shows that applications may be made at any time. (Pg. 13)

13. The 9% LIHTC Preservation Proposals section has been modified to show that applications, under the Level One Review that do not need gap financing from MSHDA, may be made at any time for Tax Exempt funding. (Pg. 14)

14. Section IV, Processing Phases has been modified to reflect the new direct lending process, which eliminates the Preliminary Assessment and replaces it with the Notice of Intent to Apply. (Pg. 14)

15. The Threshold Review phase has been eliminated as part of the new process. This previous step is now titled Application Submission. The exhibit requirements due and the amount of processing is increased at this step as compared to what was required under the Preliminary Assessment phase. This effort is designed to help speed up the lending process. (Pgs. 14-15)

16. The replacement of the Threshold Review Phase with the Application Submission phase includes the following other changes (Pgs. 15 – 16):

    a. Any known waivers planned from Authority parameters or other policies are expected to be submitted at the time of this application package, in order to address them appropriately. (Pg. 15)

   b. MSHDA review teams will be assigned to each proposal, which will be more involved than earlier in the process, and work more closely together than in the past. (Pg. 16)
   c. Sponsors will have the opportunity to withdraw their proposal(s), based on MSHDA staff and rankings, and will be eligible for a refund of the application fee at the end of the initial review. (Pg. 16)

17. Section B, the Notice of Intent to Apply Appeal Process takes the place of what was formerly the "Preliminary Assessment or Threshold Review Appeal Process", since there is no longer a Threshold phase. In addition, since the Notice of Intent process does not need to go to Loan Committee, the appeal process is handled by MSHDA's Rental Development section. (Pg. 15)

18. The Commitment Review phase has been updated to reflect that there is no longer a step that includes Loan Committee. Once all remaining Threshold processing conditions have been met, the proposal will be prepared for Board approval based on the review team assigned. (Pg. 16)

19. The MSHDA Board Consideration section has been modified to describe commitment level approval as represented by a signed report sent with the notice that a Commitment Fee is due. It also reflects that all proposals are expected to close within 90 days, instead of 120. (Pg. 17)

20. The Pre-Closing section has been edited to replace the word "initial" with "pre-"closing. Then, because within the new process the loan documents are already prepared and submitted during the Commitment phase, the sentence about this requirement is eliminated here. In addition, the sentence which notes that no substantial changes shall be made in the term or amount of loans after a package is sent to the Attorney General's office, was just moved from the third to the second paragraph. (Pg. 17)

21. The Fees section has been modified to eliminate fees at the Notice of Intent to Apply and revise the amount of the fee due at application submission. (Pg. 18)

22. The Underwriting Terms section has been changed to show that the maintained DCR may not drop below 1.0 during the 20 year cash flow analysis, rather than 1.5. In addition, we eliminated the last sentence because we have agreed that all proposals will need to maintain 1.0 DCR over the 20 year period (Pg. 19)

23. HOME Program Units section has been revised to reflect HUD's recent guidance on establishing the number of required HOME units using either the "proration method" or

"standard method". The footnote referencing eligible HOME costs at the bottom of the page is removed. (Pg. 20)

24. The PBV Program units section eliminates a reference to Section 236 and replaces it with Public Housing. (Pg. 20)

25. Under the Income Limits section, item 4, which referenced Section 236 has been removed. (Pg. 22)

26. The RAD Program Income Restrictions section has been modified to reference a HUD notice regarding public housing conversions under the RAD Program and eliminates all other language specific to Section 236 RAD conversion. The footnotes at the bottom of the page have been eliminated as they no longer apply. (Pg. 22)

27. The Rent Restriction section, item 5, has been modified to eliminate reference to 236 Preservation.

28. The RAD Program Rent Restrictions section has been modified to reference as HUD notice regarding public housing conversions under the RAD Program and eliminates all other language specific to Section 236 RAD conversion. (Pg. 24)

29. The Annual Trending Factors section has been modified to show electricity will trend at 4% for the first 5 years, and Water has been added with a trending factor of 5% for the entire analysis period based on analysis of the last several years of operating costs of developments in the Authority's portfolio. (Pg. 26)

30. The Operating Assurance Reserve section has been modified to reference that releases will be done in accordance with the Authority's written policy. (Pg. 28)

31. The footnote at the bottom of page 28 has been updated to clarify that the mortgage cut-off date is calculated in compliance with the Contractor's and Mortgagor's Cost Certification Guide Policy.

32. The Operating Deficit Reserve section has been modified to show the maintained DCR over a 20 year period will be 1.0 instead of 1.15 and clarifies when disbursements may occur. Next he last sentence of the first paragraph has been eliminated, because within the new system Asset Management will make the decision when funds are to be drawn, it is no longer the mortgagor's choice. Then, the next two items eliminated within this ODR section, was because these provisions are subject to the Authority's written policy on the use of the ODR. (Pgs. 28-29)

33. The Rent Lag Deposit section has been eliminated, because it was tied to the Section 236 Program which has expired. (Pg. 30)

34. The Remarketing Reserve section has been eliminated, because it was tied to the Section 236 Program which has expired. (Pg. 31)

35. A sentence has been added to the Rent Up Allowance section to clarify that any release will be made to the Development's ORC Account, subject to the Authority's written policy on the ORC. (Pg. 31)

36. The Construction Contract Allowances section now references Tab AA for the exact formula to calculate builder overhead, general requirements, and builder profit. (Pg. 33)

37. The Developer Fee section has been modified to eliminate the cap on the developer fee in accordance with the QAP. A note has been added at the end of the section to clarify how gap funding will be sized if the sponsor selects to uncap the developer fee. (Pg. 33 - 34)

38. The Limited Dividend Calculations section has been modified to show the rate of return shall not exceed 25%, because with the HAP expiration there is no need to limit to a HUD requirement. In addition, the reference to Section 236 developments has been deleted. (Pg. 36)

39. The Cost Certification section has been modified to reflect the correct name and note that the guide is available on the MSHDA website. (Pg. 39)

40. The Contract Administration section has been removed, since it is not a requirement. (Pg. 43)